

CA20N
TR
-S74




STATEMENT BY
[to the Legislature?]

THE HONOURABLE FRANK MILLER
TREASURER OF ONTARIO
MINISTER OF ECONOMICS, AND
CHAIRMAN OF BILD



MACDONALD BLOCK
QUEEN'S PARK
JANUARY 27, 1981



Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761115461709>

LET ME SAY AT THE OUTSET THAT I HAVE SELDOM BEEN MORE EXCITED ABOUT A NEW ONTARIO INITIATIVE. AS THE PREMIER'S STATEMENT SHOWED, THE BILD PROGRAM IS A DYNAMIC AND CREATIVE PLAN TO KEEP ONTARIO STRONG AND PROSPEROUS.

AS CHAIRMAN OF BILD, I WANT TO THANK MY COLLEAGUES FOR THEIR DETERMINED EFFORT IN HELPING TO CONSTRUCT THE RATIONAL AND POWERFUL DOCUMENT WE PRESENT THIS MORNING. WHAT YOU SEE TODAY IS THE END RESULT OF ALMOST THREE MONTHS OF HARD WORK AND EARLY MORNING MEETINGS. BILD ASSEMBLES AT 7:30 OR 8:00 A.M. ON WEDNESDAYS SO THAT WE CAN COMPLETE A HEAVY AGENDA AND STILL GET TO CABINET BY 10 A.M.

AS TREASURER, I HAVE HAD THE PARALLEL RESPONSIBILITY OF ENSURING THAT THE BILD PROGRAM IS CONSISTENT WITH OUR LONG TERM FISCAL GOALS. I AM CONFIDENT THAT THE INVESTMENT STRATEGY WE HAVE DESIGNED IS SOUND IN THAT RESPECT, BECAUSE IT CHALLENGES THE FUTURE YET BUILDS ON THE STRENGTHS OF THE PAST. THE COMPARISON I LIKE TO MAKE IS WITH PROGRAM OF ACTION SET OUT BY GEORGE DREW IN 1944, A PROGRAM THAT ANTICIPATED WITH REMARKABLE FORESIGHT, ONTARIO'S NEEDS FOR A DECADE AHEAD, THEN DELIBERATELY AND CONSTRUCTIVELY SET ABOUT MEETING THOSE NEEDS.

TURNING FIRST TO THE FISCAL SIDE, LET ME SAY UNEQUIVOCALLY THAT WE ARE ABLE TO AFFORD THE BILD PROGRAM ONLY BECAUSE OF OUR EXEMPLARY FISCAL PERFORMANCE OVER THE PAST FIVE YEARS.

SINCE 1975 ONTARIO HAS HELD FIRMLY TO ITS POLICY OF DISCIPLINED BUDGETTING -- CENTRED UPON EXPENDITURE CONTROL AND REDUCING THE GOVERNMENT'S CLAIM ON THE ECONOMY. THIS HAS CREATED THE FLEXIBILITY TO FINANCE BOTH THE DEMAND STIMULATION MEASURES I ANNOUNCED IN MY MINI-BUDGET, AND THE \$750 MILLION BILD START-UP FUND.

LOOKING BACK ON THE RECORD, I CAN SAY THAT WE HAVE MET OUR FISCAL OBJECTIVES. FIRST, THE PROVINCIAL PUBLIC SECTOR HAS BEEN CUT BACK. SECOND, SPENDING HAS BEEN PRUNED AND ESSENTIAL PRIORITIES MAINTAINED. THIRD, THE DEFICIT HAS BEEN REDUCED IN SIZE. FOURTH, MAJOR TAX INCREASES HAVE BEEN AVOIDED. AND FIFTH, MAJOR SHORT-TERM AND SELECTIVE INITIATIVES HAVE BEEN INTRODUCED TO MAXIMIZE THE STIMULATIVE IMPACT OF THE BUDGET ON THE ECONOMY. LET ME ELABORATE ON THESE IMPORTANT POINTS.

WE HAVE SUCCEEDED BETTER THAN MOST JURISDICTIONS IN HOLDING THE SPENDING GROWTH RATE CONSISTENTLY BELOW THE GROWTH RATE IN THE ECONOMY. PROVINCIAL SPENDING EXPRESSED AS A PERCENTAGE OF GROSS PROVINCIAL PRODUCT HAS BEEN REDUCED FROM 17.2 PER CENT IN 1975 TO 15.4 PER CENT IN 1980.

ONTARIO SPENDING HAS GROWN MORE SLOWLY THAN THE ECONOMY
SINCE 1975 (per cent)

	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>Estimated 1980-81</u>
Growth in Provincial Expenditure	15.1	10.2	8.6	6.4	9.8	8.8
Growth in GPP	9.5	12.8	10.7	9.4	11.6	11.0
Expenditure as a per cent of GPP	17.2	16.8	16.5	16.1	15.7	15.4

SOURCE: Ontario Treasury Estimates

DURING THIS PERIOD OF ADJUSTMENT, SOCIAL PRIORITIES HAVE BEEN PROTECTED AND HIGH STANDARDS OF SERVICE MAINTAINED. THE FAT HAS BEEN CUT FROM SPENDING, BUT ESSENTIAL PROGRAMS HAVE NOT BEEN ELIMINATED. LOCAL GOVERNMENTS, SCHOOLS, HOSPITALS, UNIVERSITIES AND OTHER AGENCIES HAVE CONTINUED TO RECEIVE SUBSTANTIAL PROVINCIAL SUPPORT.

PRUDENT MANAGEMENT OF SPENDING HAS ENABLED PLANNED REDUCTIONS IN THE PROVINCIAL DEFICIT. THE DEFICIT SHRANK FROM \$1.8 BILLION IN 1975-76 TO \$0.7 BILLION IN 1979-80. BECAUSE OF THIS IMPROVEMENT, THE PROVINCE HAS BEEN ABLE TO AVOID SUBSTANTIAL TAX INCREASES WHICH WOULD HAVE PROVED DAMAGING TO THE ECONOMY.

TRENDS IN THE
PROVINCIAL DEFICIT

<u>Fiscal Year</u>	<u>Deficit (\$ billions)</u>	<u>Deficit as a % of GPP</u>
75-76	1.79	2.7
76-77	1.32	1.8
77-78	1.76	2.2
78-79	1.18	1.3
79-80	0.66	0.7
80-81, est.	0.98	0.9

SOURCE: Ontario Treasury

THE BILD PROGRAM WE HAVE UNVEILED IS FULLY CONSISTENT WITH THE GOVERNMENT'S ONGOING FISCAL STRATEGY. LIKE THE 1975 HOME BUYER GRANTS, THE EMPLOYMENT DEVELOPMENT FUND AND THE TEMPORARY TAX CUTS IN 1978 AND 1980, BILD FUNDS HAVE BEEN CAREFULLY TARGETTED TO HAVE THE GREATEST ECONOMIC IMPACT WITHIN OUR BUDGET CAPACITY.

IN MY NOVEMBER MINI-BUDGET, I COMMITTED \$750 MILLION IN PROVINCIAL FUNDS TO BILD OVER THE NEXT FIVE YEARS. THE \$750 MILLION OF PROVINCIAL FUNDS WILL BE THE SEED MONEY TO LEVER A MUCH LARGER SCALE OF INVESTMENT ACTIVITY. ADDITIONAL FUNDS WILL ALSO BE FOUND BY REDIRECTING INTERNAL PRIORITIES WITHIN THE ECONOMIC ENVELOPE. AND, MATCHING FUNDS WILL BE SOUGHT FROM THE FEDERAL GOVERNMENT, THE MUNICIPALITIES AND THE PRIVATE SECTOR. THIS PARTNERSHIP APPROACH TO UNDERWRITING BILD WILL ENSURE INNOVATIVE AND PRODUCTIVE INITIATIVES TO THE BENEFIT OF ALL PARTICIPANTS AND THE PEOPLE OF ONTARIO. IT WILL ALSO ENSURE THAT GOVERNMENT CONCENTRATES ITS EFFORT ON

CREATING ESSENTIAL PUBLIC ASSETS WHICH ASSIST THE GROWTH PROCESS, NOT ON DISPLACEMENT OF ECONOMIC FUNCTIONS BEST PERFORMED BY THE PRIVATE MARKET PLACE.

AS MINISTER OF ECONOMICS, I HAVE STRESSED THAT THE BILD PLAN OF ACTION MUST REINFORCE OUR SOLID ACHIEVEMENTS IN MANAGING THE ONTARIO ECONOMY. AS THE PREMIER HAS STATED, ECONOMIC GROWTH MUST BE THE PARAMOUNT CONCERN OF GOVERNMENT TODAY. OUR PRINCIPAL ECONOMIC GOALS ARE TO ENSURE STRONG GROWTH AND HIGH JOB CREATION, TO RESIST INFLATION, TO FOSTER PRODUCTIVITY IMPROVEMENT AND TO STRENGTHEN OUR INTERNATIONAL COMPETITIVENESS. THE BILD PROJECTS THAT WE HAVE OUTLINED FOR THE FUTURE WILL WORK TO STRENGTHEN OUR ECONOMIC PERFORMANCE IN EACH OF THESE VITAL WAYS.

JOB CREATION IS STILL THE IMPERATIVE OF OUR ECONOMIC POLICY. OVER THE PAST FIVE YEARS ONTARIO HAS CREATED MORE THAN 100,000 JOBS PER YEAR -- AN ACHIEVEMENT FAR SUPERIOR TO THAT IN LARGER JURISDICTIONS, AND AN EVEN GREATER ACHIEVEMENT WHEN ONE CONSIDERS THE INTERNATIONAL CRISES THAT HAVE BUFFETED THE WORLD ECONOMIES DURING THIS PERIOD. THE RESILIENCE AND DIVERSITY OF ONTARIO'S ECONOMY WILL CONTINUE TO DELIVER STRONG JOB PERFORMANCE IN THE FUTURE. THE BILD INVESTMENTS WILL ADD TO THAT PERFORMANCE BY EXPANDING JOB OPPORTUNITIES IN THE TECHNOLOGY, RESOURCES, ENERGY AND TRANSPORTATION FIELDS.

EQUALLY IMPORTANT MUST BE RENEWED EMPHASIS ON PRODUCTIVITY GROWTH IN THE 1980'S. RAISING OUTPUT PER WORKER IN THE ECONOMY GENERATES REAL INCREASES IN OUR STANDARD OF LIVING AND

STRENGTHENS OUR ABILITY TO COMPETE AROUND THE WORLD, BOTH IN TRADITIONAL PRODUCTS AND IN NEW HIGH TECHNOLOGY PRODUCTS. THE BILD PROGRAMS WE HAVE OUTLINED EMPHASIZE PRODUCTIVITY IMPROVEMENTS THROUGH RESEARCH AND DEVELOPMENT, RESOURCE UPGRADING, SKILL TRAINING AND HIGH TECHNOLOGY INVESTMENTS.

SOME PEOPLE CALL IT SUPPLY SIDE ECONOMICS. I CALL IT PRACTICAL ECONOMICS. IT IS THE OPTIMUM BLENDING OF HUMAN RESOURCES AND NATURAL RESOURCES. THE EMPHASIS IS ON KNOWLEDGE AND INNOVATION, BE IT BUSINESS ACUMEN, SCIENTIFIC AND TECHNICAL APTITUDE OR TRADE SKILLS. THIS WILL HELP OUR ENTERPRISES CARVE OUT LARGER MARKET SHARES, WIN NEW MARKETS ABROAD AND EXPAND THEM AT HOME. IT WILL LENGTHEN OUR PRODUCTION RUNS, AND MAKE OUR PLANT AND EQUIPMENT MORE EFFICIENT. BY SO DOING, WE SECURE LASTING GAINS IN OUR STANDARD OF LIVING.

REDUCTION OF INFLATION IS ANOTHER CRITICAL DIMENSION OF OUR BILD STRATEGY. I HAVE SAID MANY TIMES THAT INFLATION IS A FEDERAL RESPONSIBILITY AND ITS ULTIMATE CONTROL MUST AWAIT CONCERTED FEDERAL ACTION. I WANT TO STRESS, HOWEVER, THAT AN ANTI-INFLATION STRATEGY BASED ON CURBING GROWTH AND INVESTMENT THROUGH HIGH INTEREST RATES AND WEAK DEMAND WILL NOT WORK. INDEED, SUCH A POLICY IS A RECIPE FOR FUTURE INFLATION. RATHER, INFLATION MUST BE COMBATTED WITHIN THE CONTEXT OF A PRO-GROWTH, PRO-PRODUCTIVITY STRATEGY. WE ARE SHOWING THE WAY BY LAUNCHING GROWTH-CREATING PRODUCTIVE PUBLIC INVESTMENTS,

JUST AS WE HAVE SHOWN THE WAY IN KEEPING THE COST OF GOVERNMENT UNDER CONTROL.

ONE KEY INFLATION SOURCE THAT THE BILD PROGRAM ADDRESSES HEAD ON IS ENERGY INFLATION. PAYMENTS FOR OIL AND GAS UNDER THE NATIONAL ENERGY PROGRAM WILL DRAIN AN ADDITIONAL \$5 BILLION FROM THE ONTARIO ECONOMY BY 1985. THIS WOULD DRAG DOWN OUR GROWTH POTENTIAL. THEREFORE, WE PLAN TO SUBSTITUTE TO THE MAXIMUM EXTENT OUR LOWER COST ENERGY SOURCES -- PARTICULARLY ELECTRICITY -- FOR THIS IMPORTED FUEL. PURSUING VIGOROUSLY THE ELECTRICITY OPTION AND NUCLEAR GENERATION WILL MAKE A SIGNIFICANT DENT IN THE INFLATIONARY PROCESS IN CANADA IN FUTURE YEARS.

THE BILD PROGRAM WE HAVE LAUNCHED TODAY MOVES ONTARIO AHEAD AGGRESSIVELY. IT MARSHALLS ONTARIO'S RESOURCES COHESIVELY AND CREATIVELY TO RESPOND TO THE CHALLENGES OF THE 1980'S. IT SETS OUR GOALS FOR THE FUTURE AND EMBARKS WITH CONFIDENCE TO REALIZE THOSE GOALS.

3 1761 11546170 9

